PIONEER VALLEY TRANSIT AUTHORITY

Financial Statements and

Supplementary Information

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
2808 Main Street
Springfield, MA 01107

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pioneer Valley Transit Authority as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle
As described in Note 17 to the financial statements, in 2015, the Pioneer Valley Transit Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, budgetary comparison information on pages 6 and 7, and the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, and the schedule of retiree health plan funding progress information on pages 34 to 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pioneer Valley Transit Authority's basic financial statements. The supplementary information on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of Pioneer Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

Adelson & Company PC
ADELSON & COMPANY PC
Pittsfield, MA

September 11, 2015

Adelson & Company PC
CERTIFIED PUBLIC ACCOUNTANTS

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

As the Administrator of the Pioneer Valley Transit Authority (the Authority), I offer readers of the Authority's financial statements this overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at June 30, 2015 by $55,739,646.
- The Authority's total net position increased by $3,008,508 in fiscal year 2015 as shown below:

	6/30/2015
Increase in other post employment benefits as required by GASB 45	$ (2,388,568)
Net decrease from reporting for pensions as required by GASB 68	96,052
Increase in reserves for extraordinary expenses	211,971
Loss before capital and other items	(2,080,545)
Contributed capital	16,916,436
Depreciation on capital assets	(11,827,383)
Increase in net position	$ 3,008,508

- The total operating revenue increased $295,008 or 3.9% from fiscal year 2014.
- The operating expenses increased $3,449,590 or 8.2% from fiscal year 2014.
- The Authority expended $16,916,436 on capital assets.

The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, as allowed under Massachusetts General Laws, the Authority's funding cannot exceed its net cost of service.

Change in Accounting Principle

As described in Note 17 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, the Authority recorded a prior period adjustment to record its net pension liabilities on the books as of June 30, 2014, in the amount of $4,730,710. This amount was adjusted to $4,935,525 as of June 30, 2015. The Authority also recorded a prior period adjustment to record deferred outflows of resources related to the pensions, as of June 30, 2014, in the amount of $1,126,702. This amount was adjusted to $1,427,569 as of June 30, 2015

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows and Notes to the Financial Statements. The Authority is a special purpose government engaged only in business-type activities. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9 through 33 of this report. In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in net pension liabilities and related rations, schedule of pension contributions, and the schedule of retiree health plan funding progress which is required supplemental information. The required supplementary information can be found on pages 34 to 36 of this report.

Government Financial Analysis

The Authority's net position consists almost exclusively of its net investment in capital assets (e.g. land, construction in progress, buildings, revenue vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt.

Summary of Net Position

	6/30/2015	6/30/2014
Total current assets	$ 22,672,277	$ 42,909,459
Investment in Holyoke Intermodal Facility, LLC	4,056,385	4,056,365
Property and equipment, net	68,992,437	63,907,862
Deferred outflows of resources related to pensions	1,427,569	1,126,702
Total assets and deferred outflows of resources	97,148,668	112,000,388
Accounts payable and other accrued liabilities	7,545,782	7,999,393
Note payable	13,000,000	33,000,000
Net pension liabilities	4,935,525	4,730,710
Accrued other post employment benefits	15,927,715	13,539,147
Total liabilities	41,409,022	59,269,250
Investment in capital assets, net of related debt	73,048,822	67,964,227
Restricted reserve	1,096,076	884,105
Unrestricted	(18,405,252)	(16,117,194)
Total net position	$ 55,739,646	$ 52,731,138

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by $55,739,646 at the close of fiscal year 2015.

An additional portion of the Authority's net position, shown as "restricted reserve", represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2015, the Authority's reserve for extraordinary expenses was $1,096,076.

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2015, the Authority's unrestricted net position decreased a net amount of $2,288,058 from fiscal year 2014 for a total negative unrestricted balance of $(18,405,252) at June 30, 2015. The details of this increase can be found in Note 9 on page 15 of the financial statements.

Summary of Statement of Revenues, Expenses and Changes in Fund Net Position

	6/30/2015	6/30/2014	Increase (Decrease)
Total operating revenues	$ 7,780,297	$ 7,485,289	$ 295,008
Total operating expenses	45,145,057	41,695,467	3,449,590
Operating income (loss)	(37,364,760)	(34,210,178)	(3,154,582)
Total non-operating revenues (expenses)	35,284,215	32,278,183	3,006,032
Income (loss) before capital contributions and other items	(2,080,545)	(1,931,995)	(148,550)
Capital contributions	16,916,436	11,315,006	5,601,430
Nonreimbursable depreciation	(11,827,383)	(10,640,268)	(1,187,115)
State forward funding of prior years deficits	---	6,065,152	(6,065,152)
Change in net position	3,008,508	4,807,895	(1,799,387)
Net assets, beginning	52,731,138	51,527,251	1,203,887
Prior period adjustment (See Note 17)	---	(3,604,008)	3,604,008
Net position, ending	$ 55,739,646	$ 52,731,138	$ 3,008,508

Operating revenues increased $295,008 from the prior year.

Operating expenses increased $3,449,590 or 8.2% from the prior year; fixed route service increased $3,648,552 from fiscal year 2014 mainly due to increased costs associated with additional new service added ($2.9 Million), and contracted labor increases; para-transit services decreased $(319,784) from fiscal year 2014 primarily due to savings in gasoline fuel due to decreasing fuel prices; shuttle service decreased $(3,996) from fiscal year 2014; administrative salaries and fringe benefits decreased by $(168,471) from fiscal year 2014 primarily due to a decrease in pension costs as the Authority contributed the maximum allowed to the pension plan; other administrative expenses increased by $293,289 from fiscal year 2014 primarily due to the first year that information

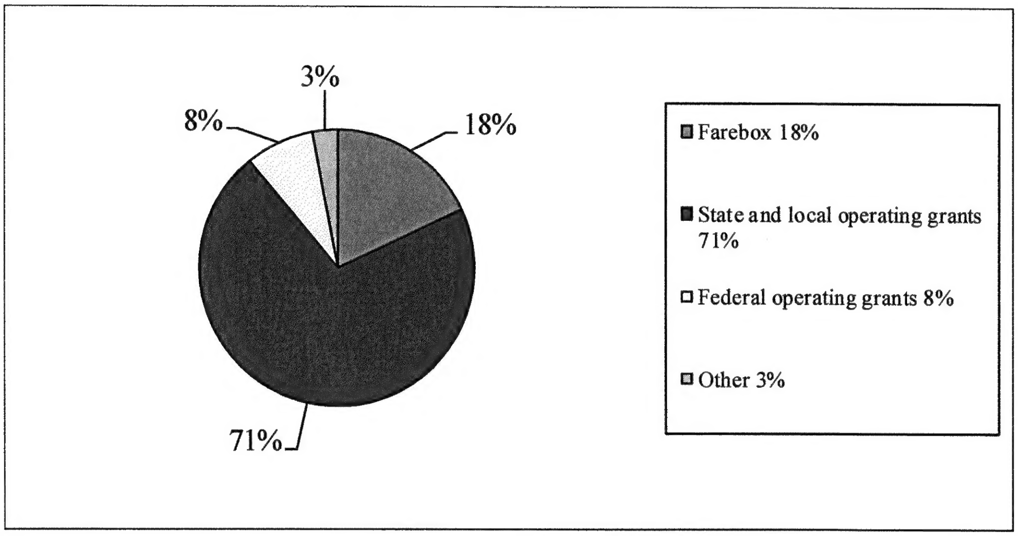
PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

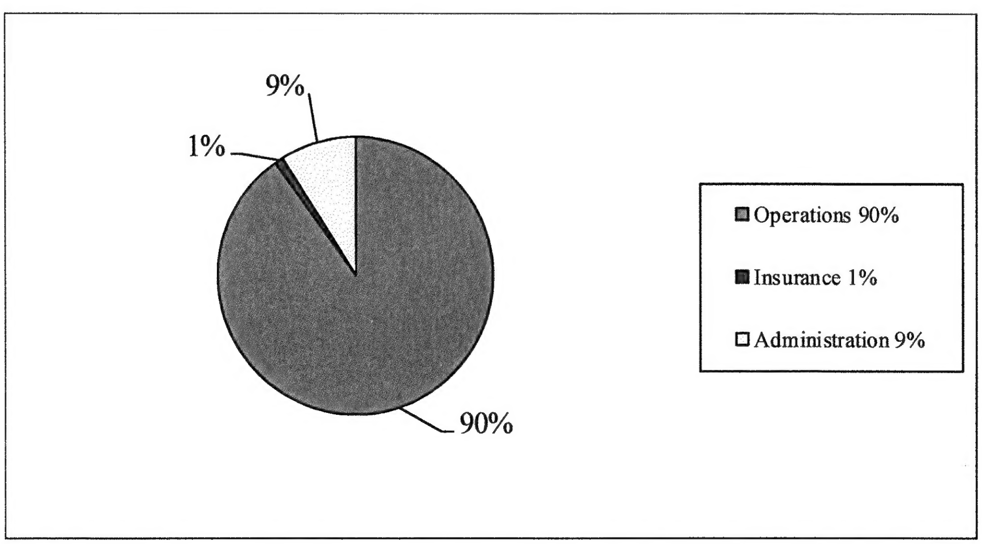
For the Year Ended June 30, 2015

technology support services were classified as operating expenditures ($135,000). Those services in the past were associated with a Capital project and funded by federal grants. All information technology projects accepted and in operations must have support paid for by operations. Additionally $250,000 was added to the insurance reserve after analysis of open reserves.

Total Operating and Non-operating
Revenues of $43,137,407 by Source



Total Operating and Non-operating
Expenses of $45,217,952 by source



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Budget vs. Actual - an analysis of significant budget variances (budget versus actual results), including reasons for the variances that may affect future services or liquidity is as follows:

Revenues

Fare revenues

	FY2015 Actual	FY2015 Budget	Variance + (-)
Fixed route income	$ 7,027,574	$ 7,084,068	$ (56,494)
Paratransit income	722,680	670,776	51,904
Shuttle service income	30,043	31,720	(1,677)
Total operating income	$ 7,780,297	$ 7,786,564	$ (6,267)

Government assistance

	FY2015 Actual	FY2015 Budget	Variance + (-)
Federal assistance	$ 3,366,626	$ 5,378,120	$ (2,011,494)
State contract assistance	22,980,428	22,980,428	---
Local assistance	7,827,620	7,785,856	41,764
Other assistance	784,122	378,437	405,685

The final Federal Assistance number came in under the budgeted amount by $(2,011,494). Overall savings in the paratransit operations, fixed route operations, and RAN interest all contributed to less reliance on federal assistance. The Authority was able to use those federal funds for capital assets (primarily buses) needed to provide the new service.

Other revenues

	FY2015 Actual	FY2015 Budget	Variance + (-)
Advertising	$ 301,933	$ 250,000	$ 51,933
Other income	64,452	102,413	(37,961)
Interest income	31,929	36,028	(4,099)

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Expenses

	FY2015 Actual	FY2015 Budget	Variance + (-)
Fixed route service	$ 32,957,300	$ 31,588,752	$ (1,368,548)
Paratransit service	7,794,846	8,373,965	579,119
Shuttle service	259,959	270,919	10,960
Administrative salaries, taxes and fringe benefits	2,239,353	2,152,274	(87,079)
Other administrative expenses	1,889,121	2,154,533	265,412

Fixed route costs exceeded budget primarily because of the increase in the accrual required under GASB 45 of $2,114,246 to record the liability for non-pension post-retirement benefits. This is an unfunded accrual and has no impact on current year funding.

Paratransit costs were under budget primarily due to a decrease in fuel expenses due to decreasing gasoline pricing, savings in contractor payments due to incentive penalties and reduced days of service due to the harsh winter.

Administrative salaries were over budget due to recording an accrual for the other post-employment benefits of $274,322.

Capital and Debt Administration

Capital Assets
The Authority's investment in capital assets as of June 30, 2015 amounted to $68,992,437, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The total purchase of capital assets for the current year was $16,916,436.

Major capital asset activity during the current year included the following:
1. Building improvements of $4,924,002
2. Acquisition of revenue vehicles of $7,894,224 and disposal of old revenue vehicles of $(947,303)
3. Acquisition of equipment of $4,098,210

Capital Assets

	6/30/2015	6/30/2014
Land	$ 1,965,505	$ 1,965,505
Construction in progress	5,190,312	1,722,882
Buildings and improvements	27,268,637	25,812,065
Revenue vehicles	93,757,763	86,810,842
Equipment	46,008,563	41,910,934
Service vehicles	1,394,691	1,606,984
Total capital assets	175,585,471	159,829,212
Accumulated depreciation	(106,593,034)	(95,921,350)
Capital assets, net	$ 68,992,437	$ 63,907,862

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Revenue Anticipation Notes

At the end of fiscal year 2015, the Authority had a revenue anticipation note of $13,000,000. This note provides operating cash flow until federal, state, and local appropriations are received.

Status of Intermodal Centers

Westfield Intermodal Transportation Center

The Authority has completed 100% design for the new Downtown Transit Pavilion that will be constructed on Arnold Street in Downtown Westfield. Planning Board approval is expected on September 15, 2015. The $6.5M project includes a state-of-the-art transit center with bike storage, paratransit, taxi, fixed-route bus and intercity bus transfer components. The automated facility will include a bus waiting area, automated ticketing, and electronic kiosks for bus scheduling/trip planning as well as real-time bus information/signage and a coffee shop. The project is expected to attain LEED Silver Status.

The project was designed with security in mind. The angles of the building and the incorporation of glass into the facility will maximize site lines throughout the site. An extensive lighting component was included along with a police call-box station and installation of IP security surveillance cameras that will be available to the City of Westfield Police Department as well as the Authority.

For site assembly, the Authority acquired a private mixed-use apartment building and is in the process of relocating tenants using federal funds. The Authority expects that all tenants will be out of the building on or before October 15, 2015 to allow asbestos abatement and demolition of the building over the fall/winter. The Authority's attorney is currently working with the Westfield City attorney on a land transfer at no cost from the City of Westfield/Westfield Redevelopment Authority to the Authority, which is needed for the Transit Pavilion site. An environmental agreement will also be included for addressing environmental clean-up of the site.

The Westfield Historic Commission (WHC) has issued the Authority a Certificate of Historic Review after holding a public hearing on the project, which allows the building to be demolished. The Authority will be photo-documenting the building and facilitating a walk-through of the building for the WHC to remove any historic features as required by a Memorandum of Agreement (MOA) between the FTA, the Authority, the City of Westfield and the Massachusetts State Historic Preservation Office.

The City has already started to reconstruct Arnold Street as part of their Gas Light District upgrade of sidewalks, street and streetlights. The Authority has coordinated closely the Pavilion design with the City's Gas Light District design.

The Authority anticipates bidding the project in January/February of 2016; constructing the project in 2016; and opening the project in early 2017.

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Management's Discussion and Analysis

For the Year Ended June 30, 2015

New Authority Bus Operations and Maintenance Facility, Springfield, MA

The Authority's new Bus Operations and Maintenance Facility Project at 649-665 Cottage Street in Springfield, Massachusetts will include a 280,000 +/- square foot fixed-route bus operations and maintenance facility on an 18-acre vacant industrial site purchased by the Authority in fiscal year 2014 and located in the heart of the Springfield Metropolitan Area of Western Massachusetts. The new facility will provide light and heavy maintenance to the Authority's entire fleet of up to 150+ fixed-route buses.

The new O&M facility will replace the Authority's light- and heavy duty maintenance capabilities currently provided at its existing 108-year old maintenance facility located at 2840 Main Street, Springfield, MA. The existing 4-acre bus maintenance facility was retrofitted from an old streetcar trolley barn and is outdated, operationally inefficient and grossly undersized to safely support the existing and expanded future transit system. Based on current transit industry, design and zoning standards, the facility is less than half the size required to provide safe and efficient bus operations and maintenance for the current fleet.

The new fixed-route O&M facility will support the Authority's growing ridership that has been increasing at an average rate of 5% annually over the past 5 years. Ridership growth is projected to continue at or around this rate based on planned developments and transit improvements including increased Amtrak service through Union Station in Downtown Springfield; system expansions planned by the Authority and construction of a new casino in Downtown Springfield near the Cottage Street site.

Progress-to-Date
With several development phases completed, the site already purchased and environmental clearances (NEPA/MEPA) obtained, this project is truly shovel-ready. The Authority has completed the following Project Phases-to-date:

Phase I: Schematic Concept Plan Development
Task 1 - Facility Needs Assessment/Programming Manual (September 2010)
Task 2 - Maintenance Facility Master plan (February 2011)
Task 3 - Site Location Study (November 2011)
Task 4 - Phase I Environmental Site Assessment (February 2012)
Task 5 - Conceptual Design Report/Plans on Preferred Site (June 2012)
Task 6 - Secure FTA State of Good Repair Grant (June 2012)

Phase II: Schematic Design/Land Acquisition — (Using 2012 SGR Grant)
Task 1 - NEPA/MEPA Concurrence (April 2013)
Task 2 - Site Survey/Municipal Zoning Compliance (April 2013)
Task 3 - Phase II ESA - no reportable conditions (December 2013)
Task 4 - Purchase 649-665 Cottage St. property (December 2013)
Task 5 - Demolition/Abatement of vacant building (November 2014)
Task 6 - Schematic Design Completion (June 2015)

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

Phase III: Design Development/Final Design
Task 1 - RFP/Selection Owner's Project Manager (OPM) – City Point Partners (August 2015)
Task 2 - Negotiate Scope/Contract for Design/Construction with Designer - Wendel (September 2015)
Task 3 - Submit Application for Construction Manager at Risk (CMAR) - (expected September 2015)
Task 4 - Complete Value Engineering with Designer/OPM (expected September/October 2015)
Task 5 - RFP/Selection of CMAR (expected CMAR contract by December 2015)
Task 6 - Complete Value Engineering with Designer/OPM/CMAR (expected January 2016)
Task 7 - Complete Design Development (scheduled January 2016)
Task 8 - Complete Final Design (scheduled August 2016)

Phase IV construction is anticipated to advance in 2016 and throughout 2017 with the facility opening in 2018. Off-site traffic improvements needed to accommodate the project will need to be coordinated with the project development process and the City of Springfield.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears (currently 2 years back) through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members' share of any new services.

A number of economic factors will or may affect the Authority's 2016 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. Fiscal year 2016 is the final phase of adding new service resulting from a comprehensive service analysis completed in fiscal year 2014. It is estimated that the increase in state contract assistance (3%) will assist in covering a portion of that cost. Federal operating funds will be needed as in the past to offset the rest.

Fiscal year 2016 will be the second year of forward funding of state contract assistance which allows for better budgeting, cash management, and less borrowing costs.

Local assessments continue to be funded in arrears (2 years behind). This contributes in large part to the Authority's borrowing needs.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Mary MacInnes, Administrator, Pioneer Valley Transit Authority, 2808 Main Street, Springfield, MA 01107.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30,

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	$ 3,890,217	$ 28,821,102
Receivables, net	18,338,503	13,605,689
Prepaid expenses	443,557	482,668
Total current assets	22,672,277	42,909,459
Investment in Holyoke Intermodal Facility, LLC	4,056,385	4,056,365
Property and equipment, net	68,992,437	63,907,862
Total assets	95,721,099	110,873,686
Deferred outflows of resources		
Deferred outflows related to pensions	1,427,569	1,126,702
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	97,148,668	112,000,388
LIABILITIES		
Accounts payable	5,151,170	4,802,483
Accrued payroll and related liabilities	148,497	146,582
Other accrued liabilities	116,463	127,137
Insurance claims reserve	1,750,000	1,500,000
Accrued interest	118,836	301,660
Note payable	13,000,000	33,000,000
Total current liabilities	20,284,966	39,877,862
Unearned revenue	260,816	1,121,531
Net pension liabilities	4,935,525	4,730,710
Accrued other post employment benefits	15,927,715	13,539,147
TOTAL LIABILITIES	41,409,022	59,269,250
NET POSITION		
Invested in capital assets, net of related debt	73,048,822	67,964,227
Restricted reserve	1,096,076	884,105
Unrestricted	(18,405,252)	(16,117,194)
TOTAL NET POSITION	$ 55,739,646	$ 52,731,138

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	$ 7,084,068	$ 7,027,574	$ (56,494)
Paratransit income	670,776	722,680	51,904
Shuttle service income	31,720	30,043	(1,677)
Total operating revenues	7,786,564	7,780,297	(6,267)
Operating expenses			
Fixed route service	31,588,752	32,957,300	(1,368,548)
Paratransit service	8,373,965	7,794,846	579,119
Shuttle service	270,919	259,959	10,960
Administrative salaries, taxes and fringe benefits	2,152,274	2,239,353	(87,079)
Other administrative expenses	2,154,533	1,889,121	265,412
Reimbursable depreciation	---	4,478	(4,478)
Total operating expenses	44,540,443	45,145,057	(604,614)
Operating income (loss)	(36,753,879)	(37,364,760)	(610,881)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	5,378,120	3,366,626	(2,011,494)
Massachusetts	22,980,428	22,980,428	---
Member communities	7,785,856	7,827,620	41,764
Other assistance	378,437	784,122	405,685
Advertising income	250,000	301,933	51,933
Other income	102,413	64,452	(37,961)
Interest income	36,028	31,929	(4,099)
Interest expense	(157,403)	(72,895)	84,508
Total non-operating revenues (expenses)	36,753,879	35,284,215	(1,469,664)
Income (loss) before capital contributions and other items	$ ---	(2,080,545)	$ (2,080,545)
Contributed capital		16,916,436	
Nonreimbursable depreciation		(11,827,383)	
CHANGE IN NET POSITION		3,008,508	
Net position, beginning as restated (see Note 17)		52,731,138	
NET POSITION, ENDING		$ 55,739,646	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	$ 6,817,925	$ 6,774,805	$ (43,120)
Paratransit income	657,070	678,258	21,188
Shuttle service income	30,696	32,226	1,530
Total operating revenues	7,505,691	7,485,289	(20,402)
Operating expenses			
Fixed route service	27,616,904	29,308,748	(1,691,844)
Paratransit service	8,037,658	8,114,630	(76,972)
Shuttle service	273,620	263,955	9,665
Administrative salaries, taxes and fringe benefits	2,145,302	2,407,824	(262,522)
Other administrative expenses	1,484,095	1,595,833	(111,738)
Reimbursable depreciation	---	4,477	(4,477)
Total operating expenses	39,557,579	41,695,467	(2,137,888)
Operating income (loss)	(32,051,888)	(34,210,178)	(2,158,290)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,172,542	5,795,128	(377,414)
Massachusetts	18,781,087	18,781,087	---
Member communities	7,065,703	7,065,703	---
Other assistance	110,000	360,713	250,713
Advertising income	218,450	363,859	145,409
Other income	83,447	60,342	(23,105)
Interest income	33,159	41,589	8,430
Interest expense	(412,500)	(190,238)	222,262
Total non-operating revenues (expenses)	32,051,888	32,278,183	226,295
Income (loss) before capital contributions and other items	$ ---	(1,931,995)	$ (1,931,995)
Contributed capital		11,315,006	
Nonreimbursable depreciation		(10,640,268)	
State forward funding of prior years deficits		6,065,152	
CHANGE IN NET POSITION		4,807,895	
Net position, beginning		51,527,251	
Prior period adjustment (see Note 17)		(3,604,008)	
NET POSITION, ENDING AS RESTATED		$ 52,731,138	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 7,757,662	$ 7,247,128
Payments for goods and services	(45,186,115)	(35,576,188)
Payments to employees	(2,237,438)	(2,388,508)
Net cash provided (used) by operating activities	(39,665,891)	(30,717,568)
Cash flows from noncapital financing activities:		
Receipts of operating grants	34,958,796	48,307,418
Receipt of forward funding grant for prior years deficits	---	6,065,152
Proceeds from issuing revenue anticipation notes	13,000,000	33,000,000
Repayments of revenue anticipation notes	(33,000,000)	(35,000,000)
Interest paid	(255,719)	(368,491)
Net cash provided (used) by noncapital financing activities	14,703,077	52,004,079
Cash flows from capital and related financing activities:		
Receipts of capital grants	16,916,436	11,315,006
Payments for capital acquisitions	(16,916,436)	(11,315,006)
Net cash provided (used) by capital and related financing activities	---	---
Cash flows from investing activities:		
Distribution from investment in Holyoke Intermodal Facility, LLC	---	35,438
Interest on savings	31,929	41,589
Net cash provided (used) by investing activities	31,929	77,027
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(24,930,885)	21,363,538
Cash and equivalents, beginning	28,821,102	7,457,564
CASH AND EQUIVALENTS, ENDING	$ 3,890,217	$ 28,821,102
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	$ (37,364,760)	$ (34,210,178)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,478	4,477
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	(20)	(726)
Advertising and other income	366,385	424,201
Change in assets and liabilities:		
(Increase) decrease in receivables	(4,732,814)	(222,941)
(Increase) decrease in prepaid expenses	39,111	341,688
Increase (decrease) in accounts payable	348,687	964,177
Increase (decrease) in accrued payroll and related liabilities	1,915	19,316
Increase (decrease) in other accrued liabilities	(10,674)	3,995
Increase (decrease) in insurance claims reserve	250,000	50,000
Increase (decrease) in unearned revenue	(860,715)	(230,373)
Increase (decrease) in net pension liabilities	(96,052)	---
Increase (decrease) in other post employment benefits	2,388,568	2,138,796
Net cash provided (used) by operating activities	$ (39,665,891)	$ (30,717,568)

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pioneer Valley Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. Its members consist of the cities and towns of Agawam, Amherst, Belchertown, Chicopee, East Longmeadow, Easthampton, Granby, Hadley, Hampden, Holyoke, Leverett, Longmeadow, Ludlow, Northampton, Palmer, Pelham, South Hadley, Springfield, Sunderland, Ware, West Springfield, Westfield, Wilbraham and Williamsburg. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board which is made up of the chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

The Authority provides fixed route service to the cities and towns above, which is provided by Springfield Area Transit Company, Valley Area Transit Company and UMass Transit.

The Authority provides ADA paratransit service for people with disabilities throughout the Pioneer Valley within ¾ miles of a fixed route. This service provides a shared-ride and door-to-door van transportation for individuals with disabilities that prevent them from riding the fixed route bus service.

The Authority also provides door-to-door, demand responsive accessible van service to seniors over the age of 60 throughout the Pioneer Valley.

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting. The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - (Continued)

Fund Net Position

Fund net positions are classified as follows in the Authority's financial statements:

Invested in capital assets, net of related debt
The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

Restricted
Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2015, the Authority's reserve balance was $1,096,076.

Unrestricted
All amounts not included in other classifications.

Revenue Recognition
Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

Budgetary Basis of Accounting
The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1 each year for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.

2. By June 1 each year, the budget is legally enacted by a vote of the Advisory Board.

Funding
The Authority's operations are funded through fares from riders and assistance provided under various federal, state, and local grants. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

Capital Grants
The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as capital contributions.

Cash and Equivalents
For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NOTE 1 - (Continued)

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment
Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over five to forty year lives.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events
Management has evaluated subsequent events through September 11, 2015, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor
The Authority has a contract, expiring on June 30, 2020, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2016, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc.

Ninety-seven percent (97%) of SATCo's employees are members of the Local 448 of the Amalgamated Transit Union. SATCo's labor agreement with the Union is effective through October 31, 2015.

Eighty-five percent (85%) of VATCo's employees are members of the Local 1459 United Food and Commercial Workers International Union. VATCo's labor agreement with the Union is effective through December 31, 2015.

Comparative Information
Certain prior year amounts may have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

Custodial Credit Risk
Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits and short-term investments that are insured by FDIC and DIF insurance. Insured bank deposits as of June 30, 2015, were $5,374,172. Uninsured bank deposits as of June 30, 2015 were $1,750,454.

NOTE 3 - RECEIVABLES CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015	2014
Current receivables		
Federal		
Operating assistance	$ 2,399,922	$ 1,234,186
Capital assistance	2,485,771	2,332,562
Total - Federal	4,885,693	3,566,748
Massachusetts		
Capital assistance	3,441,939	1,014,188
Total - Massachusetts	3,441,939	1,014,188
Member communities		
Operating assistance for current year expenditures	7,827,620	7,065,703
Operating assistance for prior year expenditures	1,707,168	1,505,602
Total - member communities	9,534,788	8,571,305
Trade receivables		
Accounts receivable	476,083	453,448
Allowance for uncollectible	---	---
Total - trade receivables	476,083	453,448
Total receivables	$ 18,338,503	$ 13,605,689

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment and maintenance. During the year ended June 30, 2015 and 2014, the Authority expended American Recovery and Reinvestment funds through the Department of Transportation.

Massachusetts general laws require the operating assistance assessed upon local cities and towns be at least 25% of net cost of service, including new services. The local assessment can be increased by a maximum of 2.5% of the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which Massachusetts agrees to provide operating assistance for a portion of the operating deficit remaining after any federal grants and the local assistance have been applied.

NOTE 4 - PREPAID EXPENSES CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015	2014
Insurance	$ 113,700	$ 106,580
Pension	288,869	288,869
Prepaid fuel	24,684	48,096
Other	16,304	39,123
Total	$ 443,557	$ 482,668

NOTE 5 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,965,505	$ ---	$ ---	$ 1,965,505
Construction in progress	1,722,882	3,467,430	---	5,190,312
Total capital assets, not being depreciated	3,688,387	3,467,430	---	7,155,817
Capital assets, being depreciated:				
Buildings and improvements	25,812,065	1,456,572	---	27,268,637
Revenue vehicles	86,810,842	7,894,224	(947,303)	93,757,763
Equipment	41,910,934	4,098,210	(581)	46,008,563
Service vehicles	1,606,984	---	(212,293)	1,394,691
Total capital assets, being depreciated	156,140,825	13,449,006	(1,160,177)	168,429,654
Less accumulated depreciation for:				
Buildings and improvements	19,347,301	1,102,988	---	20,450,289
Revenue vehicles	43,165,488	7,101,096	(947,303)	49,319,281
Equipment	32,205,948	3,487,186	(581)	35,692,553
Service vehicles	1,202,613	140,591	(212,293)	1,130,911
Total accumulated depreciation	95,921,350	11,831,861	(1,160,177)	106,593,034
Total capital assets, being depreciated, net	60,219,475	1,617,145	---	61,836,620
Capital assets, net	$ 63,907,862	$ 5,084,575	$ ---	$ 68,992,437

	2014			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 265,500	$ 1,700,005	$ ---	$ 1,965,505
Construction in progress	1,459,564	263,318	---	1,722,882
Total capital assets, not being depreciated	1,725,064	1,963,323	---	3,688,387
Capital assets, being depreciated:				
Buildings and improvements	23,644,147	2,167,918	---	25,812,065
Revenue vehicles	86,235,265	2,965,448	(2,389,871)	86,810,842
Equipment	37,939,803	3,971,131	---	41,910,934
Service vehicles	1,359,798	247,186	---	1,606,984
Total capital assets, being depreciated	149,179,013	9,351,683	(2,389,871)	156,140,825
Less accumulated depreciation for:				
Buildings and improvements	18,464,134	883,167	---	19,347,301
Revenue vehicles	39,028,160	6,527,199	(2,389,871)	43,165,488
Equipment	29,060,538	3,145,410	---	32,205,948
Service vehicles	1,113,644	88,969	---	1,202,613
Total accumulated depreciation	87,666,476	10,644,745	(2,389,871)	95,921,350
Total capital assets, being depreciated, net	61,512,537	(1,293,062)	---	60,219,475
Capital assets, net	$ 63,237,601	$ 670,261	$ ---	$ 63,907,862

NOTE 6 - INVESTMENT IN HOLYOKE INTERMODAL FACILITY, LLC

On February 7, 2007 the Authority entered into a Joint Development Agreement with the City of Holyoke and Holyoke Intermodal Facility, LLC, (a limited liability company created by the real estate arm of Peter Pan Bus Lines, Inc.) for the purpose of undertaking the design and construction of the renovations to a building located at 206 Maple Street, Holyoke, Massachusetts, known as the Holyoke Multimodal Transportation Center. Holyoke Intermodal Facility, LLC is the owner of the building. The Authority has a one percent (1%) interest in the Holyoke Intermodal Facility, LLC which is accounted for under the equity method. The Authority receives, on an annual basis, ten percent of the "net operating income" of the LLC as defined in the Joint Development Agreement.

The City of Holyoke had conveyed certain property to Holyoke Intermodal Facility, LLC which included a permanent restriction on approximately 3,000 square feet of space on the ground level to be used for transit purposes only. In consideration of the extent of public funding provided to the project through the Authority, the 3,000 square feet of the ground floor was restricted for transit use and is leased back to the Authority free of charge in perpetuity. The project was completed in fiscal year 2011 at which time the Authority started leasing back a portion of the facility. In the event that the LLC should sell the property, and depending on the timing of the sale, a portion of the sales proceeds will go to the Authority as described in the Joint Development Agreement. The details of the lease agreement with the LLC are described in Note 10 of these financial statements.

During the years ended June 30, the following was recorded:

	2015	2014
Investment in Holyoke Intermodal Facility, LLC, beginning	$ 4,056,365	$ 4,091,077
Gain (Loss) from Holyoke Intermodal Facility, LLC	20	726
Distributions from Holyoke Intermodal Facility, LLC	---	(35,438)
Investment in Holyoke Intermodal Facility, LLC, ending	$ 4,056,385	$ 4,056,365

NOTE 7 - ACCOUNTS PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015	2014
Accounts payable		
General vendors	$ 3,686,503	$ 3,692,505
Fixed route operators	1,464,667	1,109,978
Total	$ 5,151,170	$ 4,802,483

The Springfield Area Transit Company, Valley Area Transit Company and UMass Transit are the fixed route operators for the Authority. The assets and liabilities held by the fixed route operators are owned by the Authority and consist mainly of inventory, prepaid expenses, accounts payable and accrued wages and benefits. The value of these assets less liabilities held by the fixed route operators as of June 30, 2015 and 2014 was $1,464,667 and $1,109,978, respectively, and are reported as fixed route operator accounts payable in the Authority's financials statements.

NOTE 8 - NOTE PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

The Authority is subsidized by the Commonwealth of Massachusetts for its annual "Net Cost of Service" as defined in the Massachusetts General Laws. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

Revenue anticipation notes consisted of the following for the year ended June 30:

	2015	2014
1.00% Revenue anticipation note, due July 24, 2015	$ 13,000,000	
1.00% Revenue anticipation note, due July 25, 2014		$ 33,000,000
Total	$ 13,000,000	$ 33,000,000

On July 24, 2015, the Authority issued a $10,800,000 operating assistance anticipation note maturing on July 22, 2016 at a rate of 1.50%. The Authority repaid the $13,000,000 note due July 24, 2015.

The Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth, and the full faith and credit of the Commonwealth is pledged to make such payments.

NOTE 9 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			$ (2,080,545)	$ (2,080,545)
Reimbursable depreciation	$ (4,478)		4,478	---
Nonreimbursable depreciation	(11,827,383)			(11,827,383)
Capital asset additions Government funded	16,916,436			16,916,436
Increase in investment in Holyoke Intermodal Facility, LLC	20		(20)	---
Increase in reserve for extraordinary expenses		$ 211,971	(211,971)	---
Increase (decrease) in net position	5,084,595	211,971	(2,288,058)	3,008,508
Net position, beginning as restated (see Note 17)	67,964,227	884,105	(16,117,194)	52,731,138
Net position, ending	$ 73,048,822	$ 1,096,076	$ (18,405,252)	$ 55,739,646

NOTE 9 - (Continued)

	2014			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			$ (1,931,995)	$ (1,931,995)
Reimbursable depreciation	$ (4,477)		4,477	---
Nonreimbursable depreciation	(10,640,268)			(10,640,268)
Capital asset additions				
Government funded	11,315,006			11,315,006
* State forward funding for prior years deficits			6,065,152	6,065,152
Decrease in investment in Holyoke Intermodal Facility, LLC	(34,712)		34,712	---
Increase in reserve for extraordinary expenses		$ 206,801	(206,801)	---
Increase (decrease) in net position	635,549	206,801	3,965,545	4,807,895
Net position, beginning	67,328,678	677,304	(16,478,731)	51,527,251
Prior period adjustment (see Note 17)	---	---	(3,604,008)	(3,604,008)
Net position, ending as restated	$ 67,964,227	$ 884,105	$ (16,117,194)	$ 52,731,138

* During fiscal year 2014 the Massachusetts Department of Transportation awarded state operating assistance for forward funding in the amount of $6,322,049. Of this amount, $6,065,152 was applied to the Authority's prior years' unfunded deficits, and $256,897 was used toward repaying a portion of the interest expense of the Authority's revenue anticipation note due on July 25, 2014.

NOTE 10 - OPERATING LEASES

Information Center Leases

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center located at 1331 Main Street, Springfield, MA. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was $11,390 and $11,166 for the years ended June 30, 2015 and 2014, respectively.

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center located at 1341 Main Street, Springfield, MA. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was $8,041 and $7,883 for the years ended June 30, 2015 and 2014, respectively.

NOTE 10 - (Continued)

Transportation Center Lease
The Authority leases transit and building space located at 1776 Main Street, Springfield, MA. The leased premises consists of 470 square feet of dispatch and office area space, six bus parking bays containing 9,877 square feet, a section of the parking lot, and the right to use a portion of the concourse and public use areas at the building. The Authority is responsible for cleaning the bay area, office space area and repairs and maintenance of the leased premises (except the public use areas), as well as for its own cable, phone and any other utilities. The lease expires on June 30, 2016. Lease expense was $273,804 and $190,099 for the years ended June 30, 2015 and 2014, respectively.

Approximate future lease commitments payable during the years ending June 30 are as follows:

	Leases			
	1331 Main St.	1341 Main St.	1776 Main St.	Total
2016	$ 11,618	$ 8,202	$ 273,804	$ 293,624
2017	11,850	8,366	---	20,216
Total	$ 23,468	$ 16,568	$ 273,804	$ 313,840

Holyoke Multimodal Transportation Center Lease
The Authority is leasing approximately 3,000 square feet with the right to use common areas of the Holyoke Multimodal Transportation Center building, including all driveways, parking areas and roadways serving the property. The lease commenced in September 2010 and expires on the last date of the fiftieth (50^{th}) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. The CAM charges shall be paid monthly at an amount determined annually by the Lessor, Holyoke Intermodal Facility, LLC, which include all expenses incurred by the Lessor in connection with the operation of the property, such as handymen, mechanics, electricians, supplies and materials, insurances, repairs, replacements and other allowable expenses as described in the lease agreement. The CAM charges were $11,617 and $10,526 for the years ended June 30, 2015 and 2014, respectively.

The Authority has a one-percent (1%) ownership interest in Holyoke Intermodal Facility, LLC which is disclosed in Note 6 of these financial statements.

NOTE 11 - PVTA PENSION PLAN

Plan

The Authority provides retirement benefits to employees through the Pioneer Valley Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan that covers all employees that work at least 1,000 hours in a twelve month consecutive period, and agree to make employee contributions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of June 30, 2014 with a measurement date of June 30, 2014.

Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pioneer Valley Transit Authority Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Membership

At June 30, 2014, the following employees were covered by the benefit terms:

Active employees	19
Inactive employees entitled but not yet receiving benefits	20
Inactive employees (or beneficiaries)	18
Total	57

Benefits Provided

The Plan provides retirement, death and disability benefits and provides for retirement benefits of 2.50% of a member's average compensation times the number of years of service to a maximum of 32 years. Early retirement is available for any member who has attained age 55 and completed 10 years of service. The amount payable to an early retiree is the member's accrued benefit at the time of early retirement, reduced by 3% per year for each of the first five years before age 65 plus 7% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participant's deferred retirement date. Members of the Plan become fully vested after seven years of service. A member becomes 100% vested in their accrued retirement pension upon their 65th birthday.

Contributions

Each year, the Authority and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year as well as a 15-year level dollar amortization of existing net pension liability as of the valuation date. For the fiscal year ending June 30, 2014, the average employee contribution was 3.92% and the Authority's average contribution rate was 12.11% of annual payroll.

NOTE 11 - (Continued)

Actuarial Assumptions
The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% as of June 30, 2014 and for future periods
Salary increases	4% of annual compensation including inflation
Investment rate of return	6.88%, net of pension plan investment expense, including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2014 IRS Mortality Table for small plans
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.00%	4.50%
Fixed income	30.00%	3.00%
Cash	5.00%	1.00%
Total	100.00%	

Discount rate
The discount rate used to measure the total pension liability was 6.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - (Continued)

Changes in net pension liability – PVTA Pension Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 4,869,235	$ 3,260,970	$ 1,608,265
Changes for the year:			
Service cost	226,520		226,520
Interest	360,702		360,702
Changes in benefit terms	---		---
Differences between actual and expected experience	398,081		398,081
Contributions - employer		141,588	(141,588)
Contributions - employee		45,886	(45,886)
Net investment income		469,701	(469,701)
Benefit payments, including refunds of member contributions	(294,010)	(294,010)	---
Net changes	691,293	363,165	328,128
Balances at June 30, 2014	$ 5,560,528	$ 3,624,135	$ 1,936,393

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability, calculated using the discount rate of 6.88%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.88%) or 1 percentage point higher (7.88%) than the current rate:

	1% Decrease (5.88%)	Current Discount (6.88%)	1% Increase (7.88%)
Plan net pension liability as of June 30, 2014	$ 2,708,451	$ 1,936,393	$ 1,338,357

Payable to Pension Plan
At June 30, 2015, the Transit Authority reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 11 - (Continued)

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2015, the Transit Authority recognized pension expense of $245,701. At June 30, 2015, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 377,704	$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	176,552
Contributions subsequent to the measurement date	387,977	---
Total	$ 765,681	$ 176,552

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 364,216
2017	(23,761)
2018	(23,761)
2019	(23,761)
Thereafter	296,196

NOTE 12 - SATCO TRANSIT EMPLOYEE RETIREMENT PLAN (TERP)

Transit Employee Retirement Plan (TERP)

The liability for the TERP pension plan of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses.

The TERP plan, which is subject to the provisions of the Employment Retirement Income Security Act (ERISA), covers only members of the Amalgamated Transit Union Local No. 448 AFL-CIO (the Union) who were plan participants as of June 30, 2008. The TERP plan, as of June 30, 2008, was frozen and employee contributions were discontinued upon adoption of the SATCo Employees Retirement Plan (SERP) (see Note 13). Prior to June 30, 2008, employees could become members of the plan on their forty-fifth day of employment.

The TERP plan provides retirement benefits in the form of an annuities payable monthly for life, commencing on the date of retirement and terminating the month prior to death. The benefit is $40 multiplied by the years of credited service through June 30, 2008 when the plan was frozen. Pension provisions also include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TERP plan became vested after five years of service. Retirement is available if a participant has reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2015 and 2014, SATCo's pension expense for the TERP plan was $1,000,000 and $1,160,000, respectively. The funding surplus as of July 1, 2014 was $1,187,424. The funding shortfall as of July 1, 2013 was $1,105,199.

The TERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The SERP Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

NOTE 13 - SATCO EMPLOYEE RETIREMENT PLAN (SERP)

Plan

The liability for the SERP pension plan of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses. The Authority is the Plan sponsor.

The SERP plan was adopted on July 1, 2008. This plan is a governmental plan within the means of Section 414(d) of the Internal Revenue Code and Sections 3(32) and 4021(b)(d) of ERISA and is exempt from funding rules under Title I of ERISA. Pioneer Valley Transit Authority is the Plan Sponsor for the SERP plan. The SERP plan is available to all employees of SATCo who were members of the Transit Employee Retirement Plan (TERP) or have completed 45 days of employment and agree to join the plan via the required member application.

The SERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The SERP Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Results of the SERP Plan are based on liabilities developed in an actuarial valuation performed as of June 30, 2014 with a measurement date of June 30, 2014.

NOTE 13 - (Continued)

Salary Reduction Agreement
As the Transit Employee Retirement Plan (TERP) had been frozen, and it was determined that employee contributions could not be made directly to a frozen plan, a general funding plan was adopted to fund both the TERP and the SERP. In order to provide for approximately the same total contribution amount to both plans and to maintain funding amount flexibility as needed between the two plans, it was agreed that a unified wage reduction plan be established. Under the agreement, SATCo uses the entire proceeds of the salary reduction program to fund the pension plans. Additionally, SATCo makes contributions into the plans based upon actuarially determined amounts.

Accounting Policy
For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pioneer Valley Transit Authority Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Membership
At June 30, 2014, the following employees were covered by the benefit terms:

Active employees	219
Inactive employees entitled but not yet receiving benefits	21
Inactive employees or beneficiaries currently receiving benefits	38
Total	278

Benefits Provided
The SERP Plan provides retirement, death and disability benefits. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal retirement benefit is a monthly benefit of $40 multiplied by years of credited service. Credited service is elapsed time from date of hire to termination of service date. Credited service for benefit purposes only considers service on or after July 1, 2008. The normal form of payment is a monthly annuity payable for life. Vesting is 0% for fewer than 5 years of service and is 100% for 5 or more years of service.

Early retirement is available for any participant who has attained age 55 and completed 10 years of service, 85 "points" or 30 years of service regardless of age. Unreduced early retirement is available to anyone with 85 points or 30 years of service at retirement. Otherwise, the amount payable to an early retiree is the participant's accrued benefit at the time of early retirement, reduced by 4% per year for each of the first five years before age 65 plus 5% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participants deferred retirement date.

In the event of death of a participant prior to their retirement, the surviving spouse will receive the amount that would have been paid had the participant retired early and elected the 100% joint and survivor benefit. In the event a participant incurs, prior to their normal retirement date, a disability as defined in the plan agreement, they shall be entitled to a fully vested interest in their accrued pension as of the date of disability.

Contributions
Each year SATCo and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of SATCo to contribute the amount necessary to meet benefit obligations when due. The Company's average contribution rate was 3.68% of annual payroll.

NOTE 13 - (Continued)

Actuarial Assumptions
The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% as of June 30, 2014 and for future periods
Salary increases	N/A
Investment rate of return	6.27%, net of pension plan investment expense, including inflation
Cost of living adjustment	None
Pre- and post-retirement mortality	Mortality rates were based upon the 2014 IRS Mortality Table for small plans
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Mortality rates were based upon the 2014 IRS Mortality Table for small plans
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	59.00%	4.50%
Fixed income	35.00%	3.00%
Cash	6.00%	1.00%
Total	100.00%	

Discount rate
The discount rate used to measure the total pension liability was 6.27%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - (Continued)

Changes in net pension liability – SATCo SERP

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 4,753,763	$ 1,631,318	$ 3,122,445
Changes for the year:			
Service cost	290,750		290,750
Interest	317,682		317,682
Changes in benefit terms	---		---
Differences between actual and expected experience	(63,258)		(63,258)
Contributions - employer		470,000	(470,000)
Contributions - employee		---	---
Net investment income		211,580	(211,580)
Benefit payments, including refunds of member contributions	(44,384)	(44,384)	---
Administrative expense		(13,093)	13,093
Net changes	500,790	624,103	(123,313)
Balances at June 30, 2014	$ 5,254,553	$ 2,255,421	$ 2,999,132

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability, calculated using the discount rate of 6.27%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.27%) or 1 percentage point higher (7.27%) than the current rate:

	1% Decrease (5.27%)	Current Discount (6.27%)	1% Increase (7.27%)
Plan net pension liability as of June 30, 2014	$ 3,779,291	$ 2,999,132	$ 2,375,811

Payable to Pension Plan
At June 30, 2015, SATCo reported a payable of $500,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 13 - (Continued)

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2015, the Transit Authority recognized pension expense (reduction) of $(341,753). At June 30, 2015, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ 54,469
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	77,091
Contributions subsequent to the measurement date	970,000	---
Total	$ 970,000	$ 131,560

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 941,938
2017	(28,062)
2018	(28,062)
2019	(28,062)
Thereafter	(19,312)

NOTE 14 - SATCO TRANSIT MANAGEMENT PENSION PLAN (TMP)

Transit Management Pension Plan (TMP)
The TMP plan is subject to the provisions of ERISA and covers SATCo's nonunion employees who are not covered under the SERP and TERP plans. SATCo is the Plan Sponsor for the TMP plan. Eligible participants must work at least 1,000 hours in a twelve month consecutive period and contribute 4% of their annual compensation into the plan.

The TMP plan provides for benefits in the form of an annuity payable for life, with 120 minimum monthly payments guaranteed. The benefit is 2.25% of the average compensation, calculated using the average of the participants' five highest paid consecutive years of service prior to retirement, termination or disability, multiplied by the number of years of service up to 35 years. Pension provisions also include death and disability benefits whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TMP plan become fully vested after seven years of service. Retirement is available for participants who have reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2015 and 2014, SATCo's pension expense for the TMP plan was $100,000 for each year, and the funding surplus was $277,111 and $35,596, respectively.

NOTE 14 - (Continued)

The TMP plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. This report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Annual Pension Cost and Net Pension Asset – Transit Management Pension Plan
SATCo's annual pension cost and net pension obligation for the TMP plan for the years ended June 30, were as follows:

	2015	2014
Annual required contribution	$ ---	$ 20,918
Contributions made	(110,690)	(73,997)
Increase (decrease) in net pension obligation	(110,690)	(53,079)
Other adjustments and assumption changes	(130,825)	275,033
Net pension (asset) obligation at beginning of year	(35,596)	(257,550)
Net pension (asset) obligation at end of year	$ (277,111)	$ (35,596)

Funding Policy and Actuarial Assumptions
The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 10% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

Valuation date	July 1, 2014
Actuarial cost method	Traditional unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	4 years
Asset valuation method	Market Value
Investment rate of return	6.55%

Schedule of Funding Progress
The Schedule of Pension Funding Progress for the TMP plan included in supplementary information following the notes to the financial statements presents multi-year trend information that reveals the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information - Transit Management Pension Plan

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Surplus) Obligation
06/30/13	$ ---	N/A	$ (257,550)
06/30/14	$ 20,918	354%	$ (35,596)
06/30/15	$ ---	N/A	$ (277,111)

Additional pension disclosures required by generally accepted accounting principles were not available for presentation for the TMP plan, but management of the Authority feels this information would not have a material effect on the financial statements.

NOTE 15 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2008, the Authority adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB). This statement establishes accounting and financial reporting requirements for employers to measure and report the cost and liabilities associated with other (than pension) post-employment benefits (or OPEB). It imposes similar accounting rules for healthcare benefits (and other retirement benefits) as those now in place for pension benefits. The Authority applied GASB No. 45 on a prospective basis.

Plan Description

The Pioneer Valley Transit Authority Retiree Welfare Plan is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost sharing plan with employees paying 15% of medical and dental premiums in retirement. As of June 30, 2015, there were 31 plan members of which 7 were retirees.

The Pioneer Valley Transit Authority Retiree Welfare Plan does not issue separate financial statements. In accordance with GASB Statement No. 45, the Authority is not required to have its actuarial calculation for other post-employment benefit obligations updated annually. The following actuarial information was derived from the plans valuation as of July 1, 2013.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2015, total Authority's premiums plus implicit costs for the retiree medical program are $76,973.

Annual OPEB Costs and net OPEB Obligation

The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal years ended June 30, 2015 and 2014, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation as of June 30:

	2015	2014
Annual required contribution (ARC)	$ 438,596	$ 424,193
Interest on net OPEB obligation	69,898	59,963
Adjustment to annual required contribution	(97,167)	(83,156)
Amortization of actuarial (gains) / losses	(60,032)	(73,843)
Annual OPEB cost	351,295	327,157
Contributions made	(76,973)	(78,586)
Increase (decrease) in net pension obligation	274,322	248,571
Net OPEB obligation at beginning of year	1,747,429	1,498,858
Net OPEB obligation at end of year	$ 2,021,751	$ 1,747,429

NOTE 15 - (Continued)

Three Year Trend Information
The Authority's annual OPEB costs, the percentage of the annual OPEB contributed to the plan, and the net OPEB obligation were as follows:

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 405,026	$ 103,264	25%	$ 1,498,858
6/30/14	$ 327,157	$ 78,586	24%	$ 1,747,429
6/30/15	$ 351,295	$ 76,973	22%	$ 2,021,751

Funded Status and Funding Progress
As of July 1, 2013, the most recent valuation date, the actuarial liability for benefits was $2.872 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $2.872 million, and the ratio of the UAAL to the covered payroll was 233%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: July 1, 2013
Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum

Healthcare Cost Trend Rates:
Assumed a 5% increase in medical costs for fiscal year 2015.

General Inflation Assumption: 2.50% per annum
Annual Compensation Increases: 3.00% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 23 years remaining at June 30, 2015

NOTE 16 - SATCO OTHER POSTEMPLOYMENT BENEFITS

The liability for other post employment benefits of the Authority's major transportation provider, Springfield Area Transit Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expense and long-term accrued expenses. The Authority is responsible for funding these expenses of SATCo.

Effective July 1, 2007, SATCo adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB).

Plan Description
Springfield Area Transportation Company, Inc. provides for medical insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or an employee shall be able to retire with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. As of June 30, 2015, there were 355 plan members of which 111 were retirees.

Cost Sharing:
25% of premiums for non-Medicare integrated plans.
0% for Medicare integrated plans.
Retirees pay 100% of premiums for dental insurance.

Springfield Area Transportation Company, Inc. does not issue separate financial statements on this plan.

Funding Policy
The contribution requirements of plan members and SATCo are established and may be amended through SATCo ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2015 and 2014, SATCo premiums plus implicit costs for the retiree medical program were $491,373 and $561,589.

Annual OPEB Cost and Net OPEB Obligation
SATCo's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of SATCo's annual OPEB costs for the fiscal years June 30, the amount actually contributed to the plan and changes in SATCo's net OPEB obligation to the plan:

	2015	2014
Annual required contribution (ARC)	$ 2,488,185	$ 2,439,794
Interest on net OPEB obligation	471,669	396,059
Adjustment to annual required contribution	(655,689)	(550,581)
Amortization to actuarial (gains) / losses	301,454	166,542
Annual OPEB cost	2,605,619	2,451,814
Contributions made	(491,373)	(561,589)
Increase (decrease) in net pension obligation	2,114,246	1,890,225
Net OPEB (asset) obligation at beginning of year	11,791,718	9,901,493
Net OPEB (asset) obligation at end of year	$ 13,905,964	$ 11,791,718

NOTE 16 - (Continued)

Three Year Trend Information
SATCo's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	$ 2,336,826	$ 488,333	21%	$ 9,901,493
06/30/14	$ 2,451,814	$ 561,589	23%	$ 11,791,718
06/30/15	$ 2,605,619	$ 491,373	19%	$ 13,905,964

Funded Status and Funding Progress
As of June 30, 2015, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was $24.58 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $24.58 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: June 30, 2015
Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum
General Inflation Assumption: 2.50% per annum
Annual Compensation Increases: 3.00 per annum%
Healthcare Trend Rates: 5% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 22 years remaining at June 30, 2015

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Net position as previously reported at June 30, 2014	$	56,335,146
Prior period adjustment		
Reporting for pensions (measurement date as of June 30, 2014)		(3,604,008)
Net position as restated, June 30, 2014	$	52,731,138

NOTE 18 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2015			2014
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Fare income	$ 5,037,800	$ 4,890,737	$ (147,063)	$ 4,698,056
Adult passes	1,281,685	1,355,621	73,936	1,309,621
Other passes	671,065	688,484	17,419	677,632
Tokens	93,518	92,732	(786)	89,496
Total	$ 7,084,068	$ 7,027,574	$ (56,494)	$ 6,774,805

NOTE 19 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2016 budget
For the fiscal year 2016, the Authority has approved an operating budget of $46,680,120 which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding
Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

Risk management
The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

NOTE 19 – (Continued)

Litigation and self insurance
In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse affect on the Authority's financial position

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of $750,000 per incident. An excess liability, up to a maximum of $5 million of losses per policy year, is covered by comprehensive insurance policies. It is the policy of the Authority to record a liability for reported claims as well as claims incurred and not yet reported based on a review of specific claims and incidents. Insurance claims have not exceeded insurance coverage in the past three years. At June 30, 2015, the Authority's insurance claims reserve is $1,750,000 for the self-insured portion of the risks associated with property damage and personal injury.

A summary of the activity in the claims liability account during the years ended June 30 are as follows:

	2015	2014
Insurance claims reserve, beginning	$ 1,500,000	$ 1,450,000
Increase in reserve for claims provisions	521,619	496,351
Claims paid	(271,619)	(446,351)
Insurance claims reserve, ending	$ 1,750,000	$ 1,500,000

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

Required Supplementary Information

June 30, 2015

	Plan Year End June 30, 2014	
Total pension liability	**PVTA Pension Plan (see also Note 11)**	**SATCo SERP Plan (see also Note 13)**
Service cost	$ 226,520	$ 290,750
Interest	360,702	317,682
Changes of benefit terms	---	---
Differences between expected and actual experience	398,081	(63,258)
Changes of assumptions	---	---
Benefit payment, including refunds of employee contributions	(294,010)	(44,384)
Net change in total pension liability	691,293	500,790
Total pension liability, beginning	4,869,235	4,753,763
Total pension liability, ending (a)	$ 5,560,528	$ 5,254,553
Plan fiduciary net position		
Contributions - employer	$ 141,588	$ 470,000
Contributions - employee	45,886	---
Net investment income	469,701	211,580
Benefit payments, including refunds of employee contributions	(294,010)	(44,384)
Administrative expense	---	(13,093)
Net change in plan fiduciary net position	363,165	624,103
Plan fiduciary net position, beginning	3,260,970	1,631,318
Plan fiduciary net position, ending (b)	$ 3,624,135	$ 2,255,421
Net pension liability (a) - (b)	$ 1,936,393	$ 2,999,132
Plan fiduciary net position as a percentage of the total pension liability	65.18%	42.92%
Covered employee payroll	$ 1,169,373	$ 12,774,455
Net pension liability as a percentage of covered employee payroll	165.59%	23.48%

See independent auditors' report

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2015

	Plan Year End June 30, 2014	
	PVTA Pension Plan (see also Note 11)	**SATCo SERP Plan (see also Note 13)**
Actuarially determined contribution	$ 423,935	$ 586,396
Contributions in relation to the actuarially determined contribution	187,474	470,000
Contribution deficiency (excess)	$ 236,461	$ 116,396
Covered employee payroll	$ 1,169,373	$ 12,774,455
Contribution as a percentage of covered employee payroll	16.03%	3.68%

Notes to Schedules for PVTA Pension Plan and SATCo SERP Plan

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, 2014.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation: PVTA Pension Plan	3% as of June 30, 2014 and for future periods
Inflation: SATCo SERP Pension Plan	2.5% as of June 30, 2014 and for future periods
Salary increases: PVTA Pension Plan	4% annually as of June 30, 2014 and for future periods
Salary increases: SATCo SERP Plan	N/A
Investment rate of return: PVTA Pension Plan	6.88%, net of pension plan investment expense, including inflation for small plans
Investment rate of return: SATCo SERP Plan	6.27%, net of pension plan investment expense, including inflation for small plans

PIONEER VALLEY TRANSIT AUTHORITY

Schedule of Retiree Health Plan Funding Progress
Other Post Employment Benefits

Required Supplementary Information

June 30, 2015

Pioneer Valley Transit Authority Retiree Welfare Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	([b - a]/c) UAAL as a % of Covered Payroll
07/01/09	$ ---	$ 4,772,371	$ 4,772,371	0%	$ 1,064,727	448%
07/01/10	$ ---	$ 2,501,977	$ 2,501,977	0%	$ 1,106,502	226%
07/01/11	$ ---	$ 2,647,677	$ 2,647,677	0%	$ 1,156,295	229%
07/01/12	$ ---	$ 2,820,795	$ 2,820,795	0%	$ 1,208,328	233%
07/01/14	$ ---	$ 2,872,450	$ 2,872,450	0%	$ 1,231,462	233%

Springfield Area Transit Company, Inc. - Other Post-Employment Benefits:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Frozen Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	([b - a]/c) UAAL as a % of Covered Payroll
06/30/10	$ ---	$ 17,800,000	$ 17,800,000	0%	$ 10,229,063	174%
06/30/11	$ ---	$ 18,823,000	$ 18,823,000	0%	$ 10,401,243	181%
06/30/12	$ ---	$ 19,863,000	$ 19,863,000	0%	$ 10,954,027	181%
06/30/13	$ ---	$ 21,364,000	$ 21,364,000	0%	$ 11,000,931	194%
06/30/14	$ ---	$ 22,879,408	$ 22,879,408	0%	$ 11,416,115	200%
06/30/15	$ ---	$ 24,583,438	$ 24,583,438	0%	$ 12,774,455	192%

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENT OF NET COST OF SERVICE
For the Year Ended June 30,

	Total Service Area 2015	Total Service Area 2014
Operating costs		
Administrative costs	$ 4,132,952	$ 4,008,134
Purchased services		
Fixed route	32,957,300	29,308,748
Paratransit	7,794,846	8,114,630
Shuttle	259,959	263,955
Debt service	72,895	190,238
Eliminate GASB 45 other post employment benefits expense	(2,388,568)	(2,138,796)
Eliminate GASB 68 reduction to pension expense	96,052	---
Total operating costs	42,925,436	39,746,909
Operating assistance and revenues		
Federal operating and administrative assistance	3,366,626	5,795,128
Other operating assistance	784,122	360,713
Revenues		
Local revenues		
Fixed route	7,027,574	6,774,805
Paratransit	722,680	678,258
Shuttle	30,043	32,226
Advertising	301,933	363,859
Other income	64,452	60,342
Interest	31,929	41,589
Total operating assistance and revenues	12,329,359	14,106,920
Net operating deficit	30,596,077	25,639,989
Increase in reserve for extraordinary expense	211,971	206,801
Net cost of service	$ 30,808,048	$ 25,846,790
Local assessments	$ 7,827,620	$ 7,065,703
State contract assistance	22,980,428	18,781,087
Total	$ 30,808,048	$ 25,846,790

The following nonreimbursable items are not included in the eligible expenses above:
Depreciation taken on property and equipment purchased with capital grant funding
GASB 45 adjustment for the change in the Authority's other post employment benefits
GASB 68 adjustment for the change in the Authority's net pension liabilities

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CERTIFIED PUBLIC ACCOUNTANTS
Established 1938

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
2808 Main Street
Springfield, MA 01107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pioneer Valley Transit Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pioneer Valley Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pioneer Valley Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Pittsfield, MA

September 11, 2015